



6450-01-P

DEPARTMENT OF ENERGY

Bonneville Power Administration

[BPA File No.: PNCA-14]

Proposed Changes to the Interchange Energy Imbalances Rate Under the Pacific Northwest Coordination Agreement (PNCA)

AGENCY: Bonneville Power Administration (BPA or Bonneville), Department of Energy (DOE).

ACTIONS: Notice of Proposed Adjustment to Interchange Energy Imbalances Rate under the Pacific Northwest Coordination Agreement (PNCA).

SUMMARY: BPA is holding this proceeding, Docket No. PNCA-14, to establish a new Interchange Energy Imbalances rate under the PNCA.

The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) provides that BPA must establish and periodically review and revise its rates so that they are adequate to recover, in accordance with sound business principles, the costs associated with the acquisition, conservation, and transmission of electric power, including amortization of the Federal investment in the Federal Columbia River Power System (FCRPS) over a reasonable number of years and BPA's other costs and expenses. The Northwest Power Act also requires that BPA's rates be established based on the record of a formal hearing. By this notice, BPA announces the commencement of a rate adjustment proceeding for establishment of a new Interchange Energy Imbalances rate under the PNCA.

DATES: Anyone wishing to become a party to the PNCA-14 proceeding must provide written notice, via U.S. Mail or electronic mail, which must be received by BPA no later than 3:00 p.m. on July 10, 2014.

The PNCA-14 rate adjustment proceeding begins with a prehearing conference at 9:00 a.m. on July 9, 2014, in the BPA Rates Hearing Room, 1201 Lloyd Blvd, Suite 200, Portland, Oregon 97232.

Written comments by non-party participants must be received by August 15, 2014, to be considered in the Administrator's Record of Decision (ROD).

ADDRESSES:

1. Petitions to intervene should be directed to: Hearing Clerk - L-7, Bonneville Power Administration, 905 NE 11th Avenue, Portland, Oregon 97232, or may be emailed to rateclerk@bpa.gov. In addition, copies of the petition must be served concurrently on BPA's General Counsel and directed to both Mr. Peter J. Burger, LP-7, Office of General Counsel, 905 NE 11th Avenue, Portland, Oregon 97232, or via email to pjburger@bpa.gov (see section III.A. for more information regarding interventions).
2. Written comments by participants should be submitted to the Public Affairs Office, DKE-7, Bonneville Power Administration, P.O. Box 14428, Portland, Oregon 97293. Participants may also submit comments by email at: www.bpa.gov/comment. BPA requests that all comments and documents intended to be part of the Official Record in this rate proceeding contain the designation PNCA-14 in the subject line.

FOR FURTHER INFORMATION CONTACT: Ms. Heidi Y. Helwig, DKC-7, Supervisory Public Affairs Specialist, Bonneville Power Administration, P.O. Box 3621, Portland, Oregon 97208; by phone toll free at 1-800-622-4520; or via email to hyhelwig@bpa.gov.

Responsible Officials: Mr. Robert Diffely, BPA's PNCA Representative, is the official responsible for the development of BPA's Interchange Energy rate.

SUPPLEMENTARY INFORMATION:

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Part I - Introduction and Procedural Background

Section 7(i) of the Northwest Power Act, 16 U.S.C. 839e(i), requires that BPA's rates be established according to certain procedures, including publication in the Federal Register of this notice of the proposed rates; one or more hearings conducted as expeditiously as practicable by a Hearing Officer; opportunity for both oral presentation and written submission of views, data, questions, and arguments related to the proposed rates; and a decision by the Administrator based on the record. BPA's rate proceedings are further governed by BPA's Procedures Governing Bonneville Power Administration Rate Hearings, 51 FR 7611 (March 5, 1986), which implement and expand the statutory requirements.

This proceeding is being conducted under the rule for Expedited Rate Proceedings, section 1010.10 of BPA's Procedures. BPA is proposing to use the Expedited Rate Proceedings

because BPA is only proposing a change to the index used to price the balance of interchange energy between pairs of parties to the PNCA. The PNCA calls for the application of the Dow Jones Mid-C Index (Dow Jones Index) to price imbalance energy. The Dow Jones Index is no longer published and a replacement index needs to be identified for purposes of pricing the interchange energy. For this reason, the issues in this proceeding are anticipated to be very limited. Given these circumstances, BPA believes that a 90-day Expedited Rate Proceeding is sufficient to develop a full and complete record. If it is determined that additional time is required, the hearing officer may petition the Administrator for additional time as provided under Rule 1010.10(b). A proposed schedule for the proceeding is provided below. A final schedule will be established by the Hearing Officer at the prehearing conference.

BPA Direct Case	July 9, 2014
Prehearing Conference	July 9, 2014
Deadline to Intervene	July 10, 2014
Data Request Deadline	July 22, 2014
Data Response Deadline	July 29, 2014
Parties file Direct Case	August 1, 2014
Data Request Deadline	August 8, 2014
Data Response Deadline	August 15, 2014
Close of Participant Comments	August 15, 2014
Litigants file Rebuttal	August 25, 2014
Data Request Deadline	September 2, 2014
Data Response Deadline	September 9, 2014
Cross-Examination	September 12, 2014

Initial Briefs Filed	September 19, 2014
Briefs on Exceptions	September 26, 2014
Final ROD – Final Studies	October 8, 2014

Section 1010.7 of BPA’s Procedures prohibits *ex parte* communications. The *ex parte* rule applies to all BPA and DOE employees and contractors. Except as provided below, any outside communications with BPA and/or DOE personnel regarding the merits of any issue in BPA’s rate proceeding by other Executive Branch agencies, Congress, existing or potential BPA customers (including tribes), or nonprofit or public interest groups are considered outside communications and are subject to the *ex parte* rule. The rule does not apply to communications relating to: (1) matters of procedure only (the status of the rate proceeding, for example); (2) exchanges of data in the course of business or under the Freedom of Information Act; (3) requests for factual information; (4) matters for which BPA is responsible under statutes other than the ratemaking provisions; or (5) matters which all parties agree may be made on an *ex parte* basis. The *ex parte* rule remains in effect until the Administrator’s Final ROD is issued, which is scheduled to occur on or about October 8, 2014.

Part II – Purpose and Scope of the PNCA-14 Rate Proceeding

A. Circumstances Necessitating the Proposed Change.

In PNCA-02, BPA established a rate for Interchange Energy under the PNCA contract. The PNCA-02 proceeding adopted a rate that was linked to a market index. The Dow Jones Mid-Columbia Firm index was chosen as the index for pricing the energy. The sole purpose of this proceeding is to propose a replacement for the index used to price the balance of interchange

energy exchanged between pairs of parties to the PNCA. Dow Jones ceased publication of the Dow Jones Mid-C Index in 2013 so currently there is no index to price this energy. BPA is proposing to substitute the Intercontinental Exchange Mid-C Index for the Dow Jones index. In addition to replacing the Dow Jones Index, BPA is also proposing to place a floor of \$0.00/MWh for energy provided for the Interchange Energy imbalances. The purpose of the floor is to avoid having a PNCA party pay another PNCA party when it provides Interchange Energy during periods when Intercontinental Exchange has negative prices.

B. Scope

The scope of this proceeding is limited to the appropriateness of substituting the Intercontinental Exchange as the index used to price the energy and the additional proposal to place a floor on the index price of \$0.00/MWh. Pursuant to § 1010.3(f) of BPA's Procedures, the Administrator hereby directs the Hearing Officer to exclude from the record all argument, testimony, or other evidence that seeks in any way to address matters outside of these two issues.

C. The National Environmental Policy Act (NEPA)

BPA is in the process of assessing the potential environmental effects of its proposal, consistent with NEPA. A preliminary review of the proposal indicates that it involves solely administrative and financial matters that appear to fall within a class of actions that are categorically excluded from further NEPA review pursuant to applicable NEPA regulations. Comments regarding the potential environmental effects of the proposal may be submitted to Katherine S. Pierce, NEPA Compliance Officer, KEC-4, Bonneville Power Administration, 905 NE 11th Avenue, Portland, OR 97232. Any such comments received by the comment deadline for Participant Comments identified in section III.A. below will be considered by BPA's NEPA compliance staff in the NEPA process that will be conducted for this proposal.

Part III - Public Participation in BP-14

A. Distinguishing Between “Participants” and “Parties”

BPA distinguishes between “participants in” and “parties to” the hearings. Apart from the formal hearing process, BPA will receive written comments, views, opinions, and information from “participants,” who may submit comments without being subject to the duties of, or having the privileges of, parties. Participants’ written comments will be made part of the official record and considered by the Administrator. Participants are not entitled to take part in the prehearing conference; may not cross-examine parties’ witnesses, seek discovery, or serve or be served with documents; and are not subject to the same procedural requirements as parties. BPA customers whose rates are subject to this proceeding, or their affiliated customer groups, may not submit participant comments. Members or employees of organizations that have intervened in the rate proceeding may submit general comments as participants but may not use the comment procedures to address specific issues raised by their intervenor organizations.

Written comments by participants will be included in the record if they are received by August 15, 2014. Written views, supporting information, questions, and arguments should be submitted to the address listed in the “ADDRESSES” section of this notice.

Entities or persons become parties to the proceeding by filing petitions to intervene, which must state the name and address of the entity or person requesting party status and the entity’s or person’s interest in the hearing. BPA customers and affiliated customer groups will be granted intervention based on petitions filed in conformance with BPA’s Procedures. Other petitioners must explain their interests in sufficient detail to permit the Hearing Officer to determine whether the petitioners have a relevant interest in the hearing. Pursuant to

Rule 1010.1(d) of BPA's Procedures, BPA waives the requirement in Rule 1010.4(d) that an opposition to an intervention petition be filed and served 24 hours before the prehearing conference. The time limit for opposing a timely intervention will be established at the prehearing conference. Any party, including BPA, may oppose a petition for intervention. All petitions will be ruled on by the Hearing Officer. Late interventions are strongly disfavored. Opposition to an untimely petition to intervene must be filed and received by BPA within two days after service of the petition.

B. Developing the Record

The hearing record will include, among other things, the transcripts of the hearing, written evidence and argument entered into the record by BPA and the parties, written comments from participants, and other material accepted into the record by the Hearing Officer. The Hearing Officer will review the record and certify the record to the Administrator for final decision.

The Administrator will make a decision on the modification to the PNCA Interchange Energy rate based on the record and such other materials and information as may have been submitted to or developed by the Administrator. The Administrator will serve copies of the Final ROD on all parties. BPA will file its rates with the Commission for confirmation and approval after issuance of the Final ROD.

Part IV - Summary of Rate Proposal

A, Initial Deliveries of IE

This charge applies to IE delivered from BPA to another PNCA party.

Formula 1.

$$C=(ID_{ON} *I_{ON}) + (ID_{OFF} *I_{OFF})$$

Where for each day

C=Daily charge for Initial Deliveries of ID in Dollars

ID_{ON}=The Initial Deliveries of IE made during the day during On Peak hours.

I_{ON}= The Intercontinental Exchange Mid-C index for On Peak hours in dollars per megawatt hour, but I_{ON} shall not be less than \$0.00 per megawatt hour.

ID_{OFF}=The Initial Deliveries of IE made during the day during Off Peak hours.

I_{OFF}= The Intercontinental Exchange Mid-C index for Off Peak hours in dollars per megawatt hour, but I_{ON} shall not be less than \$0.00 per megawatt hour.

Initial Deliveries of IE on Sunday or a NERC (or its successor organization(s)) recognized holidays are priced at the Off Peak rate.

B. Return of IE

This charge applies to the return of ID that was initially delivered to BPA from another PNCA party. The charge is as follows:

Formula 2.

$$C_{PARTY}=IER_{PARTY}*R_{PARTY}$$

Where for each PNCA Party for a given day:

C_{PARTY}=Daily charge for the return of such PNCA party's IE in dollars

IER_{PARTY}=The quantity of IE returned to a PNCA party on a day in megawatt hours

R_{PARTY}=the applicable IE return rate for the PNCA party for the given day as calculated in in Formula 3 below in dollars per megawatt hour.

Formula 3

$$R_{PARTY}=\sum C_{PARTY} \div \sum IER_{PARTY}$$

Where for each PNCA Party for a given day:

R_{PARTY} = the IE return rate calculated for the PNCA party as of the given day in dollars per megawatt hours.

$\sum C_{\text{PARTY}}$ = all payments received by BPA from such PNCA party from the date of the last cash out of IE Imbalances to the date BPA returns the ID, in dollars

$\sum IER_{\text{PARTY}}$ = the net of all IE BPA has received from such PNCA party and the IE returned by BPA to such PNCA party from the date of the last cash out of IE Imbalances to the date BPA returns the IE, in megawatt hours.

Issued this 19th day of June 2014.

Elliot E. Mainzer,
Administrator and Chief Executive Officer.

[FR Doc. 2014-15272 Filed 06/27/2014 at 8:45 am; Publication Date: 06/30/2014]